



Patrick W. Henning, Director



Arnold Schwarzenegger
Governor

October 27, 2009
22M:375:JEP:9036

Ms. Cythnia J. Nelson, Deputy City Manager
Santa Ana Workforce Investment Board
20 Civic Center Plaza (M-25)
Santa Ana, CA 92702

Dear Ms. Nelson:

WORKFORCE INVESTMENT ACT
85-PERCENT PROGRAM REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2008-09

This is to inform you of the results of our review for Program Year (PY) 2008-09 of the Santa Ana Workforce Investment Board's (Santa Ana WIB) Workforce Investment Act (WIA) 85-Percent program operations. We focused this review on the following areas: Workforce Investment Board and Youth Council composition, local program monitoring of subrecipients, management information system/reporting, incident reporting, nondiscrimination and equal opportunity, grievance and complaint system, and Youth program operations including WIA activities, participant eligibility, and Youth services.

This review was conducted by Ms. Jennifer Patel from October 6, 2008 through October 10, 2008.

Our review was conducted under the authority of Sections 667.400 (a) and (c) and 667.410 of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by the Santa Ana WIB with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations for PY 2008-09.

We collected the information for this report through interviews with the Santa Ana WIB representatives and service provider staff. In addition, this report includes the results of our review of selected case files, the Santa Ana WIB's response to Section I and II of the Program On-Site Monitoring Guide, and a review of applicable policies and procedures for PY 2008-09.

We received your response to our draft report on April 13, 2009, and reviewed your comments and documentation before finalizing this report. Your response adequately addressed finding one cited in the draft report, and no further action is required at this

time. However, this issue will remain open until we verify your implementation of your stated corrective action plan during a future onsite review. Until then, this finding is assigned Corrective Action Tracking System (CATS) number 90083. However, your response did not adequately address finding two cited in the draft report, and we consider this finding unresolved. We request that the Santa Ana WIB provide the Compliance Review Office (CRO) with additional information to resolve the issue that led to this finding. Therefore, this finding will remain open and has been assigned CATS number 90084. Finally, your response adequately addressed finding three and four cited in the draft report and we consider these issues resolved.

BACKGROUND

The Santa Ana WIB was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. As of September 30, 2008, very little of the PY 2008-09 formula allocated funds had been expended. For PY 2007-08 the Santa Ana WIB was allocated: \$756,308 to serve 175 adult participants; \$1,160,647 to serve 157 youth participants; and \$518,622 to serve 175 dislocated worker participants.

For the quarter ending September 30, 2008, the Santa Ana WIB reported the following expenditures for its WIA programs: \$331,498 for adult participants; \$446,758 for youth participants; and \$369,902 for dislocated worker participants. In addition, the Santa Ana WIB reported the following enrollments: 167 adult participants; 155 youth participants; and 181 dislocated worker participants. We reviewed case files for 30 of the 503 participants enrolled in the WIA program as of October 6, 2008.

PROGRAM REVIEW RESULTS

While we concluded that, overall, the Santa Ana WIB is meeting applicable WIA requirements concerning grant program administration, we noted instances of noncompliance in the following areas: Workforce Investment Board (WIB) composition, Youth Service Provider contracts, work permits, and supportive services. The findings that we identified in these areas, our recommendations, and the Santa Ana WIB's proposed resolution of the findings is specified below.

FINDING 1

Requirement: WIA Section 117(b)(2)(A)(iii)&(vi) states, in part, that the membership of each Local Board shall include representatives of labor organizations and representatives of each of the one-stop partners.

20 CFR Section 662.200(b)(6) states, in part, that the local area is required to have a partner providing programs authorized under Title 1 of WIA serving Native American programs.

WIAD06-21 states, in part, that at least 15-percent of local board members shall be representatives of labor organizations unless the local labor federation fails to nominate enough members. If this occurs, then at least 10 percent of the local board members shall be representatives of labor organizations.

Observation:

The Santa Ana WIB does not meet the 15-Percent requirement for labor organization representation. Specifically, the Santa Ana WIB consists of 31 members, requiring at least five members be representatives from labor organizations. The Santa Ana WIB currently has two members from labor organizations and needs three more members. The Santa Ana WIB stated that they are currently working on recruiting more labor organization members and are expected to have an additional labor organization member by November 2008. As of January 8, 2009, the Santa Ana WIB has been unsuccessful in recruiting additional labor representatives from the Orange County Central Labor Council (OCLC). The OCLC has not responded to the Santa Ana WIB's inquiries.

The Santa Ana WIB is also missing a representative from its partner, Southern California Indian Center. The position has been vacant for more than three years. The Santa Ana WIB stated that a Southern California Indian Center representative was once a member of several WIB's in the Orange County and Los Angeles County area and could not commit to all of them. The Santa Ana WIB has been unsuccessful in appointing a representative from an alternate agency serving Native American programs.

Additionally, the Santa Ana WIB's bylaws state that the WIB shall have a minimum of 33 members but the WIB only has 31 members. However, the Santa Ana WIB does have a business majority with its current membership number. The Santa Ana WIB stated that the bylaws are currently being updated to reflect a WIB minimum membership of 35.

Recommendation:

We recommended that the Santa Ana WIB provide CRO with a corrective action plan (CAP), including a timeline, for appointing three more labor representatives to the WIB and a representative

from an alternate agency serving Native American programs. Additionally, we recommended that the Santa Ana WIB provide CRO with documentation of these appointments.

**Santa Ana WIB
Response:**

The Santa Ana WIB provided a copy of its updated by-laws with a new WIB minimum membership of 35 members, including four seats allocated to labor representatives.

On June 2, 2009, the Santa Ana WIB provided additional documentation verifying that a third labor representative was appointed to the WIB. As of October 20, 2009, the Santa Ana WIB anticipates the appointment to occur December 6, 2009.

In response to the appointment of a Native American Program representative, the Santa Ana WIB does not believe it can fill this seat for all the reasons previously stated in the draft monitoring report. The Santa Ana WIB has a courtesy one-stop partner Memorandum of Understanding (MOU) in place with the Southern California Indian Center (SCIC) but SCIC does not run any programs in Santa Ana City. The MOU is only in place to facilitate referrals between the two agencies if needed. The SCIC does not have staff present at the Santa Ana One-Stop. The WIB staff has reviewed the Native American programs in the area and none are located in Orange County except for the SCIC. Because the SCIC does not serve Native Americans in Santa Ana, they feel that the Board seat would be better utilized by an engaged public sector organization that is more reflective of our community. Should the SCIC begin operation of a Native American program in Santa Ana, the Santa Ana WIB will be happy to offer them a seat on the WIB.

State Conclusion: The Santa Ana WIB's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we receive documentation to verify that a fourth labor representative was appointed to the WIB. Until then, this issue remains open and has been assigned CATS number 90083.

FINDING 2

Requirement: 29 CFR (36)(b)(2) & (8) states, in part that, grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. Grantees and subgrantees will make awards only to

responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement.

OMB Circular A-87, Attachment A, Section C states, in part, that to be allowable, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards, and be adequately documented.

WIA Section 129(a)(5) states, in part, youth funds may be used to provide incentives for recognition and achievement to eligible youth.

20 CFR Section 663.800 states, in part, that supportive services are those services necessary to enable an individual to participate in WIA activities.

Observation:

We observed that four of seven youth service providers at the Santa Ana WIB do not follow the terms/specifications of their contract and are not adequately documenting the supportive services and/or incentives provided to their youth participants. Specifically:

- The Orange County Children's Therapeutic Arts Center (OCTAC) contract states that all participants in Phase 1 of their program will receive a monthly stipend. In-school youth participants in Phase 2 of their program will receive a stipend and also be provided with gift certificates. Out-of-school participants in Phase 2 will be paid \$8 per hour. The contract failed to specify the exact amount of each stipend paid during Phase 1 and Phase 2. Five of five case files reviewed from OCTAC had copies of the stipends paid to the participant ranging from \$25 to \$200 but all five did not have adequate documentation to justify the stipend.
- The Taller San Jose contract states that participants in the program are paid \$7.75 per hour for participating in the program. However, seven of seven case files reviewed from Taller San Jose had no documentation of hourly wages paid to the clients. The Santa Ana WIB stated that participants are no longer paid an hourly wage but that all participants are now paid a weekly stipend of \$100. However, this documentation also could not be located in the case files.

- The Orangewood Children's Foundation (OWCF) contract does not identify incentive payments as a service provided by its program. However, one of three case files reviewed from OWCF showed the participant received a \$100 Target gift card for completing job readiness and also was provided a \$100 gift card for obtaining a job.
- The Orange County Conservation Corps (OCCC) contract provides a detailed explanation of the different incentives provided by its program and the achievement associated with the incentive. However, five of five case files reviewed from OCCC did not consistently document the incentive provided to the participant and the achievement related to the incentive (i.e. date incentive paid, date of achievement, copy of actual incentive provided).

Additionally, all seven youth service provider contracts expired on June 30, 2008.

Recommendation: We recommended that the Santa Ana WIB:

- Provide justification for the stipends paid to the five OCTAC participants.
- Provide documentation of payments to the seven Taller San Jose participants.
- Provide incentive documentation for incentive payments to OCCC participants. Documents should include date incentive was paid, date of achievement, and copy of actual incentive.

Additionally, we recommended that the Santa Ana WIB provide CRO with a CAP stating how it will ensure:

- That all youth service providers are following the terms, conditions, and specifications of its contract; and
- All incentives and stipends paid to WIA youth participants are adequately documented in case files including the amount, the date, a copy of the actual incentive or stipend, and the activity/achievement associated with all incentives and stipends paid to WIA participants.

Finally, we recommended that the Santa Ana WIB include in its CAP a timeline for updating all youth service provider contracts, including the time period of the agreement and the specific terms specified in the observations above.

**Santa Ana WIB
Response:**

The Santa Ana WIB stated that:

- The OCTAC contract did not fail to specify the exact amounts of each stipend and provided an excerpt of the contract. However, it was determined that the contractor was not following the payment schedule outlined in the contract. The Santa Ana WIB notified OCTAC of its noncompliance and imposed a CAP, including a contract modification and the inclusion of stipend logs and attendance sheets. The Santa Ana WIB provided stipend logs identifying the reason for the stipends, stipend amount, date achieved, and date provided as justification for the five stipends paid.
- The Taller San Jose documentation of hourly wages paid is stored and available in fiscal files. The Santa Ana WIB will require Taller San Jose to include attendance sheets and payment records in case files. They also provided the payroll records and copies of checks as documentation of payments to the seven participants.
- The OWCF contract did not fail to identify incentive payments as a service provided by its program and provided an excerpt of the contract stating that upon completion of at least three core objectives, participants will be given a gift card.
- Upon WIB review, it was determined that documentation of incentives is available in OCCC participant case files. However, an incentive log will be implemented and submitted. The incentive log will include: date incentive paid, date of achievement, justification and copy of actual incentive provided. The Santa Ana WIB provided incentive documentation for four of the five participants reviewed.

The Santa Ana WIB provided copies of all contract amendments reflecting the expiration date of December 30, 2008. They also provided copies of the current contract which reflect an expiration date of June 30, 2009.

The Santa Ana WIB provide the following CAP:

- They have implemented tracking logs for stipends, incentives, and supportive services. The logs were distributed to all youth providers on March 5, 2009. The logs include date incentive was paid, date of achievement, justification and need.
- The Santa Ana WIB will continue to monitor youth providers for adherence to contract requirement, specifically in the area of payments made to participants.

State Conclusion: Based on the Santa Ana WIB's response, we cannot resolve this issue until we verify during a future onsite visit successful implementation of the CAP. Additionally, we cannot resolve this issue because the Santa Ana did not provide the requested documentation for one of five OCCC participants. Specifically, CRO only received four of five requested documents. We recommend that the Santa Ana WIB provide incentive documentation for the last OCCC participant.

FINDING 3

Requirement: California Education Code Section 49160 states, in part, that no person, firm or corporation shall employ, suffer, or permit any minor under the age of 18 years to work in or in connection with any establishment or occupation, except as provided in Section 49151, without a permit to employ, issued by the proper educational officers in accordance with law.

California Labor Code Section 1299 states, in part, that every person, or agent or officer thereof, employing minors, either directly or indirectly through third persons, shall keep on file all permits and certificates, either to work or to employ.

Observation: We found that one younger youth participant, age 17, was participating in paid work experience at OCCC. However, the case file did not document that a work permit was obtained. This participant was exited from the WIA program on March 30, 2008. A copy of the youth participants work permit was requested but not provided prior to the issuance of this report.

Recommendation: We recommended that the Santa Ana WIB provide CRO with a CAP stating how it will ensure, in the future, that all youth

participants are issued a work permit prior to starting any paid work experience activities.

**Santa Ana WIB
Response:**

The Santa Ana WIB provided a copy of the work permit for the OCCC participant issued on February 20, 2007. The Santa Ana WIB has also implemented a system-wide requirement for all youth providers to submit work permits to the Santa Ana WORK Center for all youth under 18 years of age. A copy of the Work Permit Policy and Procedures was provided.

State Conclusion: Based upon our onsite review of the Santa Ana WIB's Summer Youth Program, we noted that a copy of the work permit was appropriately documented for the cases sampled for review. We found that the Santa Ana WIB successfully implemented its CAP and we consider this finding resolved.

FINDING 4

Requirement:

WIA Section 101(46) states, in part, that supportive services are transportation, child care, dependent care, housing, and needs-related payments, that are necessary to enable an individual to participate in activities authorized under Title 1 activities.

20 CFR Section 663.800 states, in part, that supportive services are those services necessary to enable an individual to participate in WIA activities.

29 CFR Section 97.20(a)(2) states, in part, that fiscal control and accounting procedures of subgrantees must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions.

OMB Circular A-87, Attachment A, Section C states, in part, that to be allowable, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards, and be adequately documented.

WIAD04-18 states, in part, that local areas are responsible for ensuring that adequate documentation is contained in their participant case files to minimize the risk of disallowed costs. It also states that acceptable documentation to verify a pregnant or parenting youth is by birth certificate hospital record of birth, statement from physician, applicant statement, etc.

Observation: We found that the Santa Ana WIB did not adequately justify or document supportive services provided to 1 of 30 participants reviewed. Specifically, the participant was provided three \$100 child care vouchers, but the case file lacked documentation (i.e. birth certificate or applicant statement) substantiating the participant was even parenting. Additionally, the case file did not contain copies of the vouchers that were provided. This participant exited the WIA Program on June 4, 2008.

Recommendation: We recommended that the Santa Ana WIB provide documentation to substantiate that the child care vouchers provided to the participant were indeed necessary to participate in the WIA program. Additionally, we recommended that the Santa Ana WIB provide CRO with a CAP stating how it will ensure, in the future, that justification and documentation for all supportive services is adequately documented in participant case files, including how the supportive service is necessary to enable the participant to participate in the WIA program.

Santa Ana WIB Response: The Santa Ana WIB provided case notes stating that case management was told by their supervisor to enter Child Care Stipend case notes "as a group" and to enter a value of "0.00" for those who did not get a child care voucher. Case notes from May 5, 2008 specify a value of "0.00" indicating that the participant did not get a child care stipend. A corrective action has been made and case management no longer will input notes in this format. The Santa Ana WIB has requested that contractors provide clear case notes documenting supportive services.

State Conclusion: We consider this finding resolved.

We provide you up to 20 working days after receipt of this report to submit your response to the Compliance Review Office. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than November 25, 2009. Please submit your response to the following address:

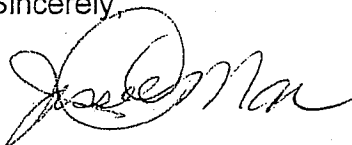
Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is Santa Ana WIB's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain Santa Ana WIB's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Mechelle Hayes at (916) 654-1292.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessie Mar", with a large circular flourish at the beginning.

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Jose Luis Marquez, MIC 50
Daniel Patterson, MIC 45
Georganne Pintar, MIC 50
Gilbert von Studnitz, MIC 50